

CALIFORNIA HEALTH CARE ALMANAC



California Employer Health Benefits Survey: Fewer Covered, More Cost

APRIL 2013

Introduction

Employer-based coverage is the leading source of health insurance in California as well as nationally. This report of selected findings from the 2012 California Employer Health Benefits Survey provides a snapshot of the employer-based coverage landscape in the lead-up to implementation of the Affordable Care Act (ACA) in 2014. The percentage of employers reporting that they offer coverage continues its decline, with only 60% now offering insurance to employees. More than one-third of surveyed firms said they are increasing the premium cost to their workers in the coming year, and almost one-fourth plan to increase employees’ deductibles.

KEY FINDINGS INCLUDE:

- The proportion of California employers offering coverage has declined significantly over the last decade, from 71% in 2002 to 60% in 2012.
- Higher offering rates are associated with larger firms, firms with higher wages, and firms with fewer part-time workers.
- Since 2002, premiums in California rose by 169.7%, more than five times the 31.5% increase in the state’s overall inflation rate.
- Average monthly premiums for single coverage in California were \$545 in 2012, compared to \$468 nationally. For family coverage, monthly premiums were \$1,386 in California and \$1,312 nationally.
- More than one-quarter of workers in small firms had a deductible of \$1,000 or more for single coverage in 2012, up from just 7% in 2006. In large firms, only 8% had a deductible of \$1,000 or more.
- Twenty-one percent of California firms reported that they increased workers’ share of the premium in the preceding year, while 17% reduced benefits or increased cost-sharing.

Information on the survey methodology is available on page 19.

CONTENTS

Overview.....	3
Coverage Availability	4
Cost of Health Insurance.....	7
Benefits and Cost Sharing	11
Plan Enrollment and Choice	16
Employer Views and Practices	17
Methodology.....	19

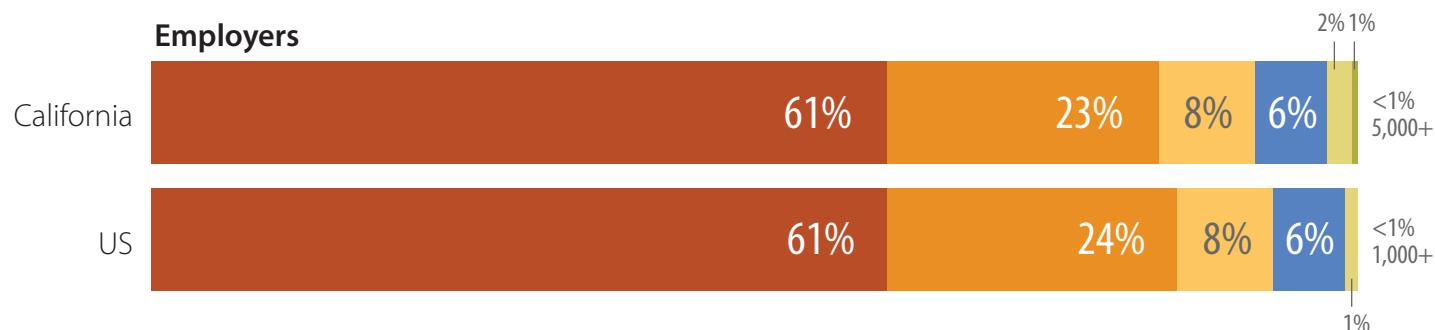
Employers, Workers, and Covered Workers, by Firm Size

California vs. the United States, 2012

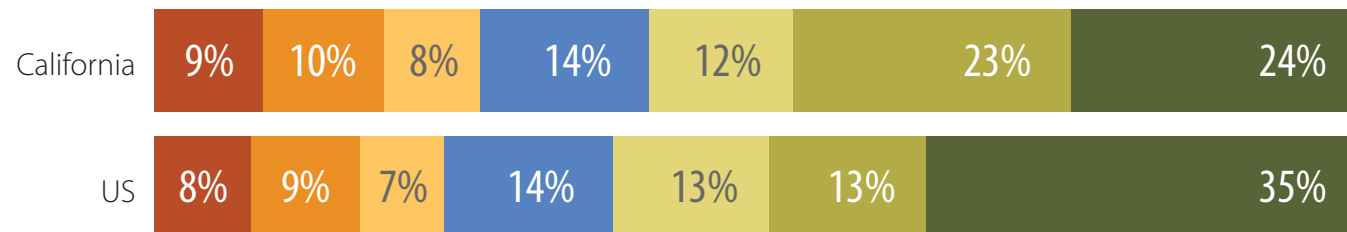
NUMBER OF WORKERS



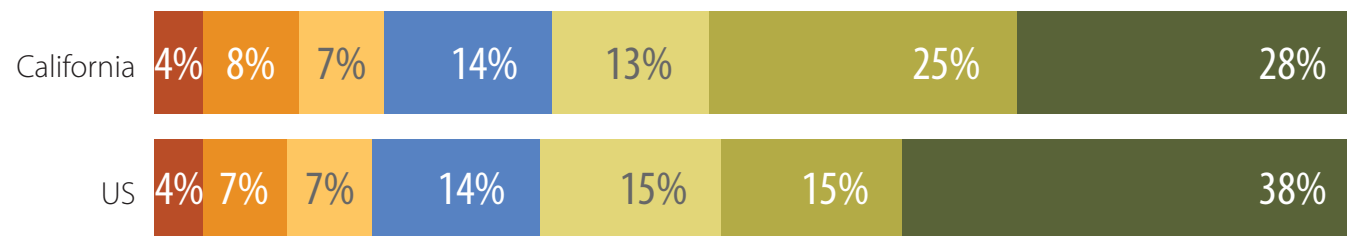
Employers



Workers



Covered Workers



Notes: Tests found no statistically different distributions between California and the United States. Values may not add to 100% due to rounding.

Sources: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2012; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2012.

California Employer Health Benefits

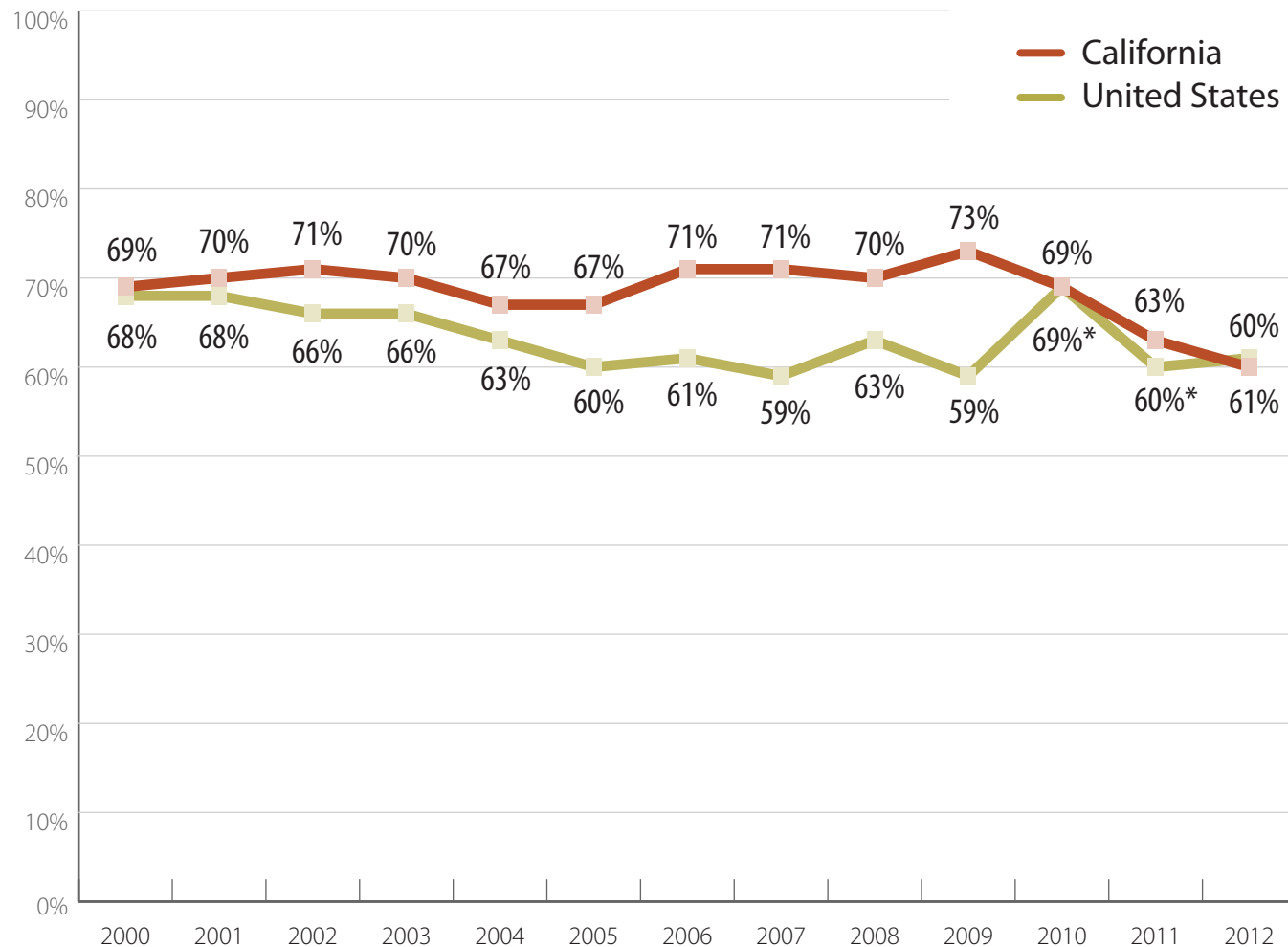
Overview

The vast majority (92%) of California firms have fewer than 50 employees, but represent only 27% of workers and 19% of covered workers.

Employers Offering Coverage

California vs. the United States, 2000 to 2012

The percentage of California employers reporting that they offer coverage has declined significantly. As of 2012, it was comparable to the national offer rate.

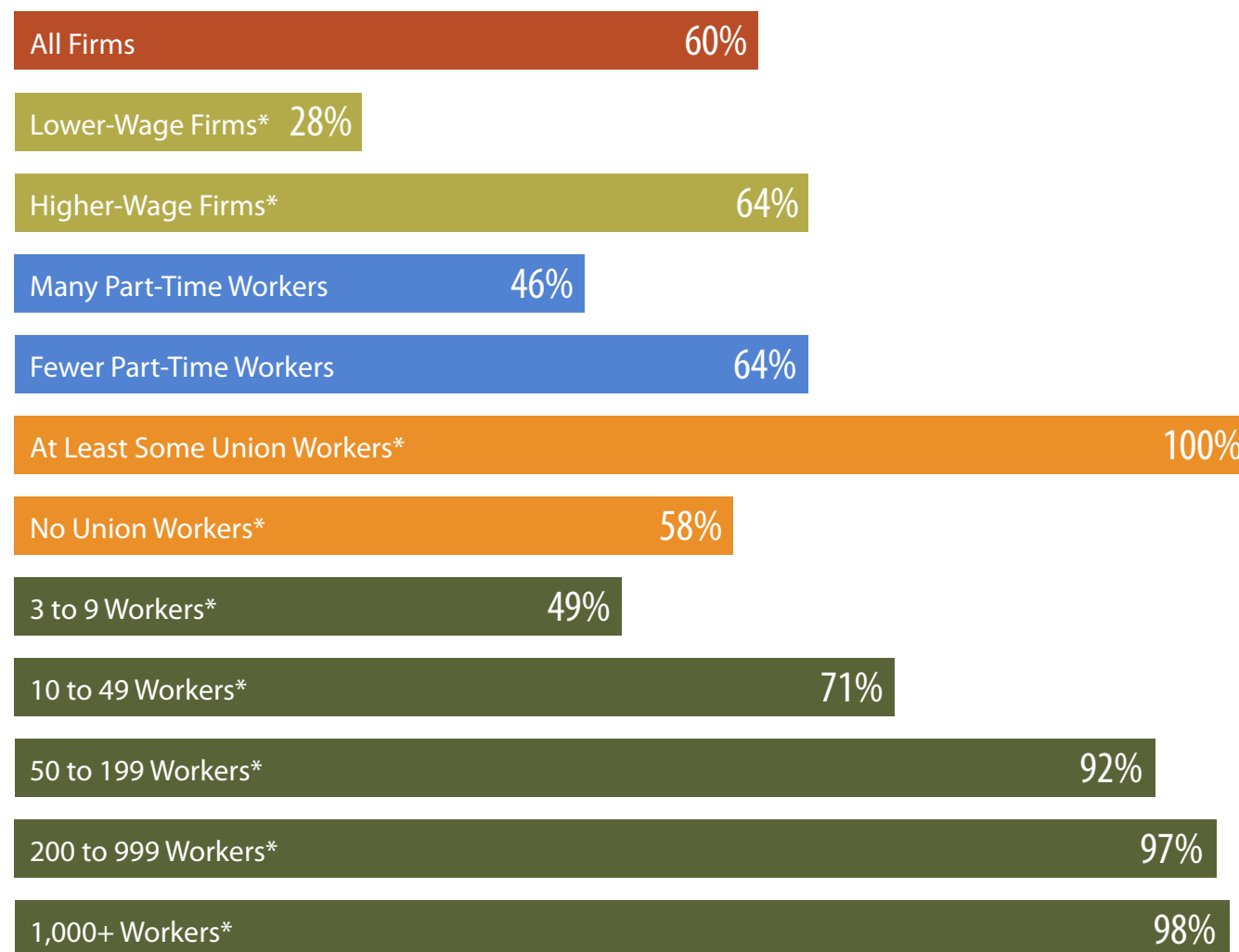


*Estimates are statistically different from the previous year shown.

Sources: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2007–2012; CHCF/HSC California Employer Health Benefits Survey: 2005–2006; CHCF/HRET California Employer Health Benefits Survey: 2004; Kaiser/HRET California Employer Health Benefits Survey: 2000–2003; Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000–2012.

Employers Offering Coverage, by Firm Characteristics

California, 2012



*Estimate is statistically different from all other firms.

Note: Lower-wage firms are those in which at least 35% of workers earn \$24,000 or less per year. Higher-wage firms are the inverse. Firms with many part-time workers are those in which at least 35% of workers work part time. Firms with fewer part-time workers are the inverse.

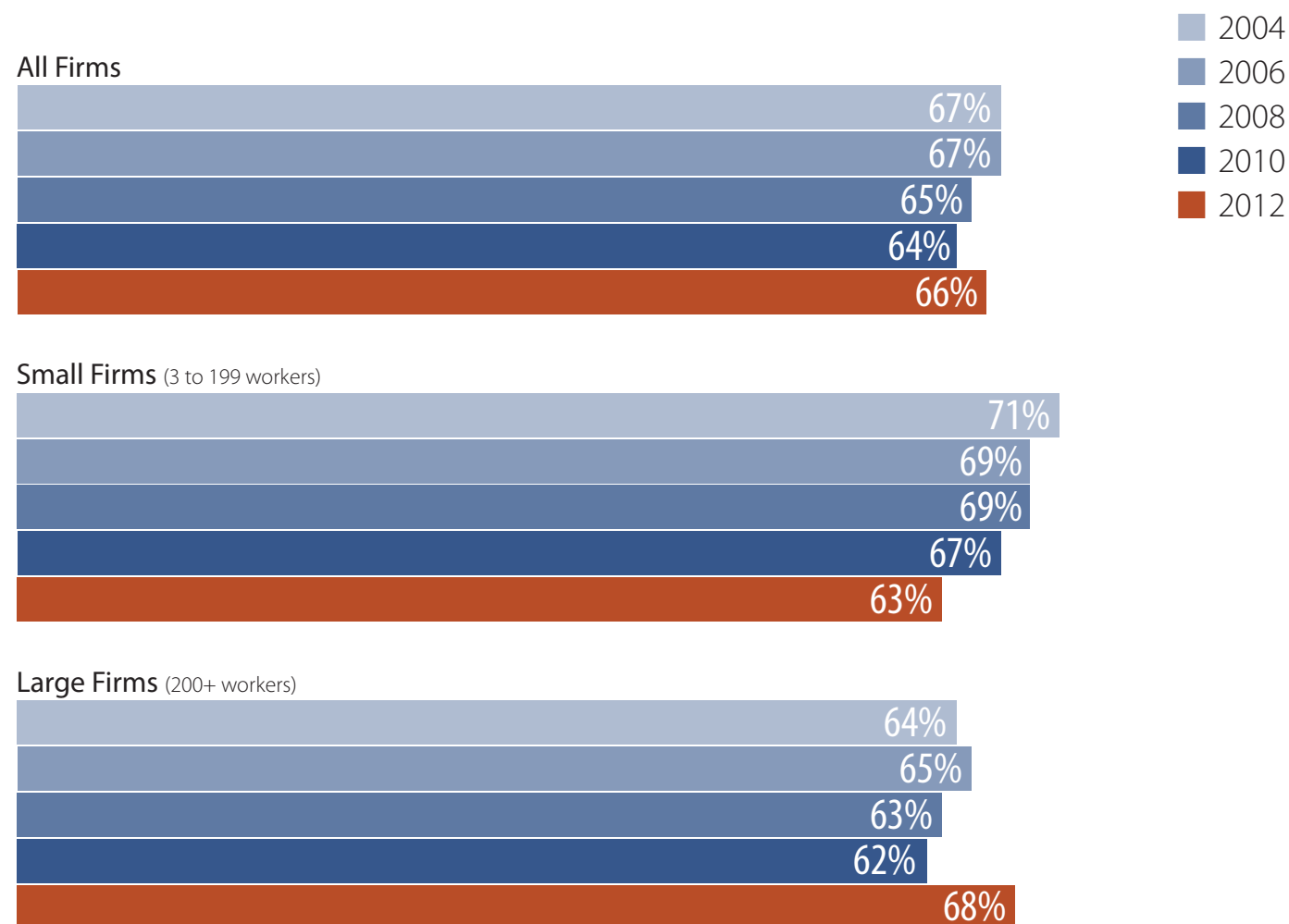
Source: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2012.

California Employer Health Benefits

Coverage Availability

Higher offering rates are associated with larger firms, firms with higher wages, and firms with fewer part-time workers. Only 28% of lower-wage firms offered health benefits in 2012, versus 64% of higher-wage firms.

Worker Coverage Rates Among Firms Offering Health Benefits by Firm Size, California, 2004 to 2012



California Employer Health Benefits Coverage Availability

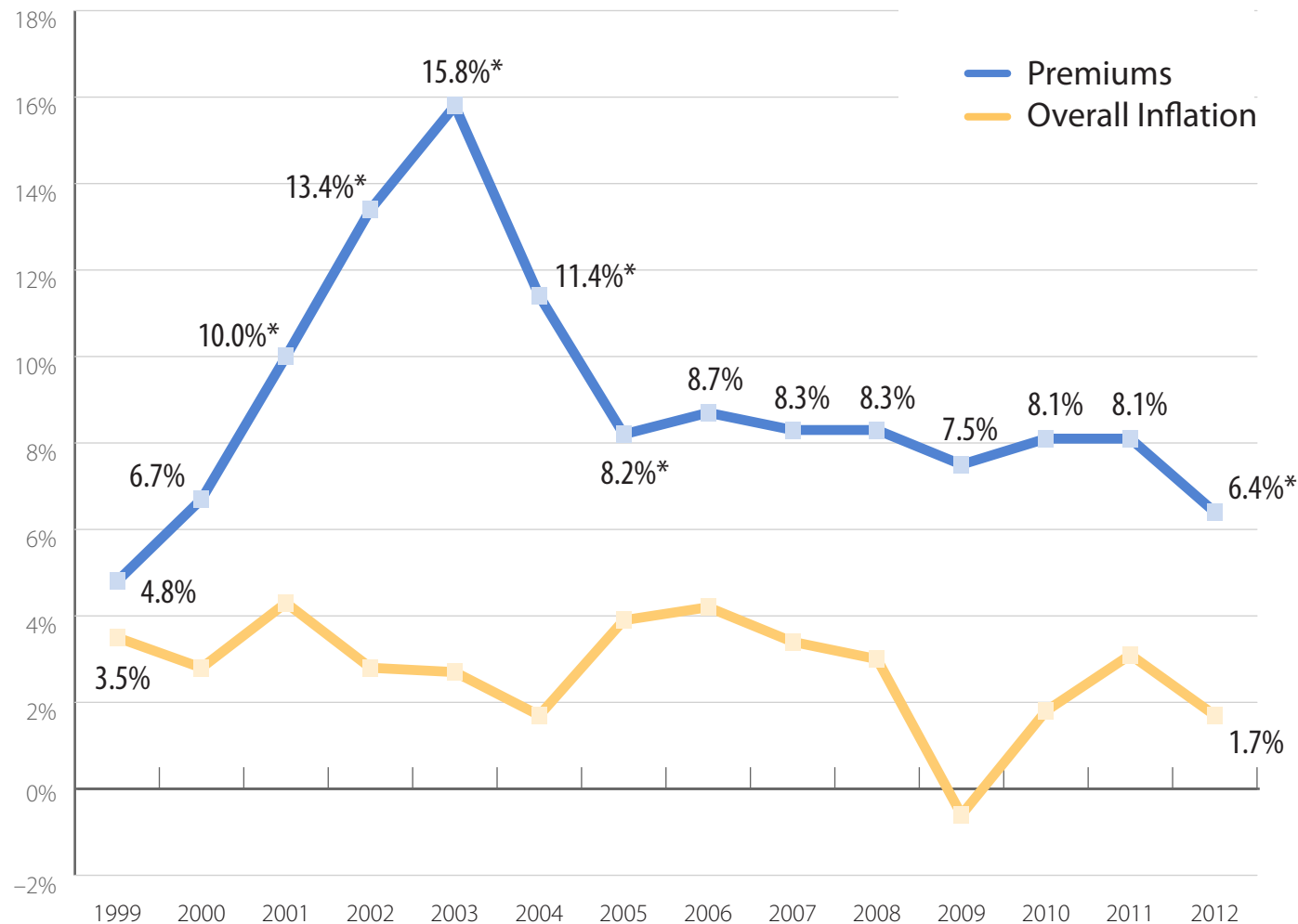
Overall insurance coverage rates have been fairly stable since 2004.

Note: Tests found no statistically different estimates from previous year shown within firm size.

Sources: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2008–2012; CHCF/HSC California Employer Health Benefits Survey: 2006; CHCF/HRET California Employer Health Benefits Survey: 2004.

Premium Increases Compared to Inflation

Family Coverage, California, 1999 to 2012



*Estimates are statistically different from the previous year shown.

Note: Information on the calculation of premium changes is available on page 19.

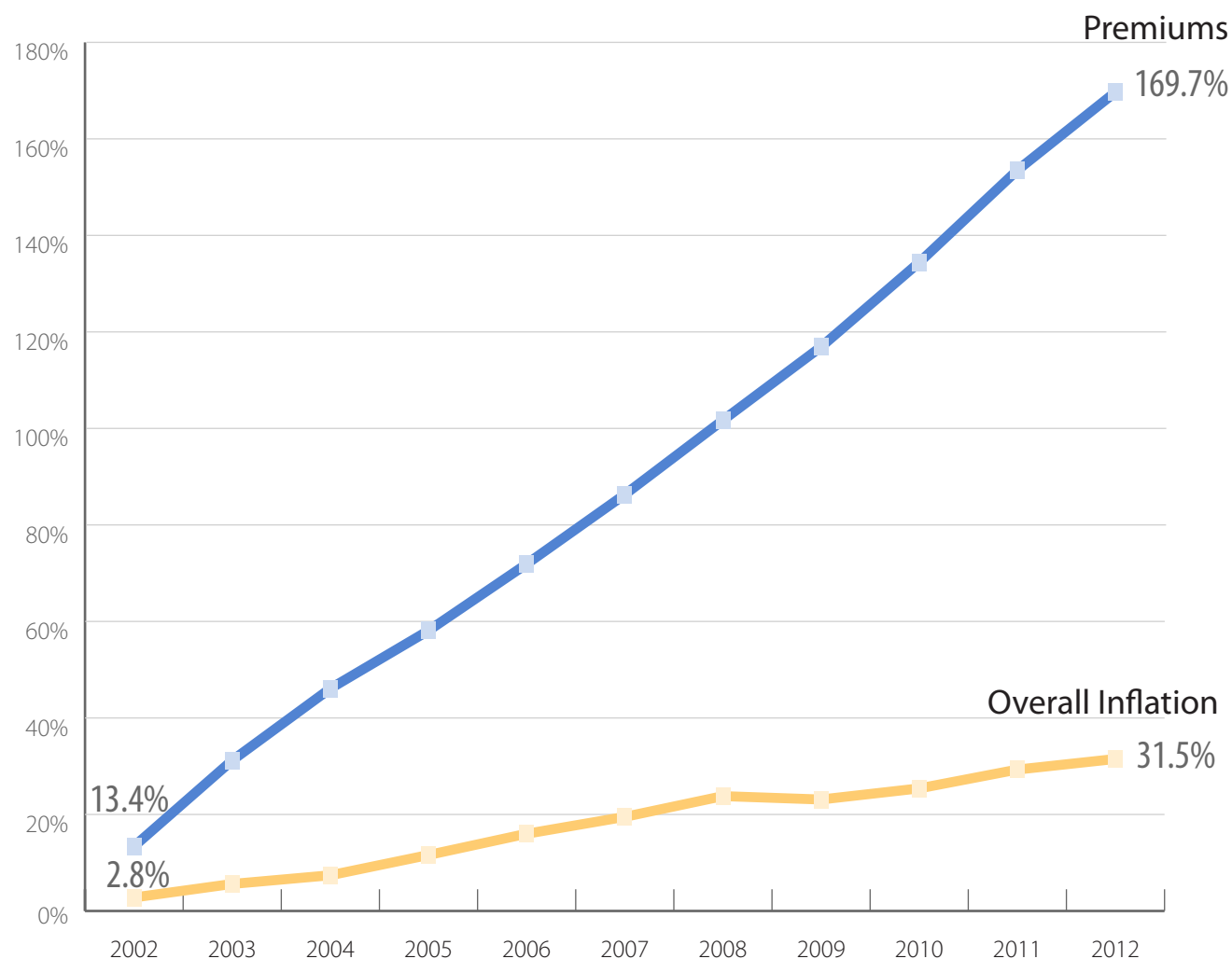
Sources: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2007–2012; CHCF/HSC California Employer Health Benefits Survey: 2005–2006; CHCF/HRET California Employer Health Benefits Survey: 2004; Kaiser/HRET California Employer Health Benefits Survey: 1999–2003; California Division of Labor Statistics and Research, Consumer Price Index, California Average of Annual Inflation (April to April): 1999–2012.

Health insurance premiums for family coverage in California grew by only 6.4% in 2012, a significant decline from 2011. However, premiums continued to rise much faster than the overall California inflation rate.

Cumulative Premium Increases Compared to Inflation

Family Coverage, California, 2002 to 2012

Since 2002, health insurance premiums in California have increased by 169.7%, more than five times the 31.5% increase in the state's overall inflation rate.



Note: Information on the calculation of premium changes is available on page 19.

Sources: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2007–2011; CHCF/HSC California Employer Health Benefits Survey: 2005–2006; CHCF/HRET California Employer Health Benefits Survey: 2004; Kaiser/HRET California Employer Health Benefits Survey: 2002–2003; California Division of Labor Statistics and Research, Consumer Price Index, California Average of Annual Inflation (April to April): 2002–2012.

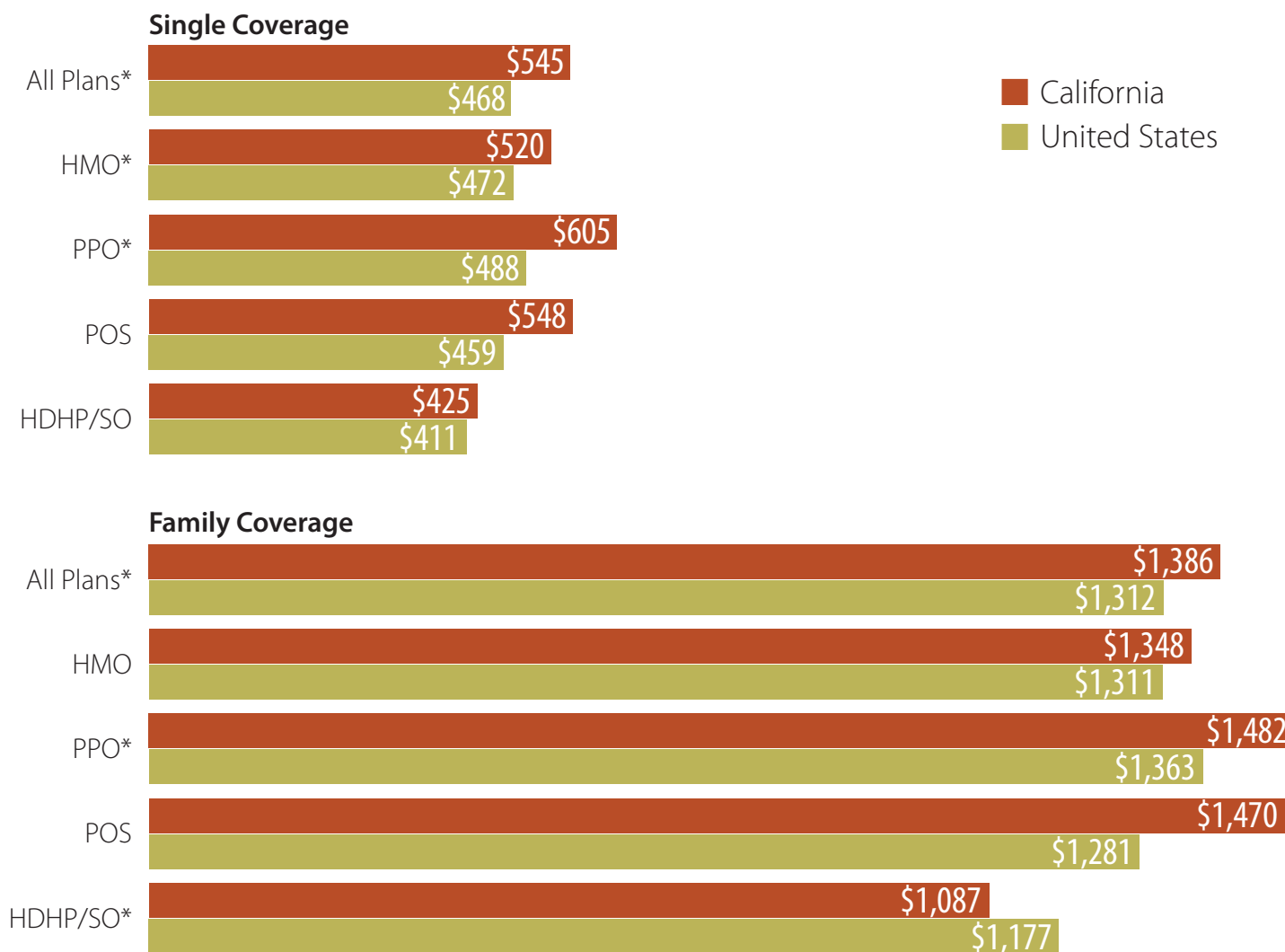
Average Monthly Premiums, by Plan Type

California vs. the United States, 2012

California Employer Health Benefits

Cost of Health Insurance

Average monthly premiums for both single and family coverage were significantly higher in California than nationally in 2012.



*Estimates are statistically different between California and the United States.

Note: HDHP/SO means high-deductible health plan with a savings option.

Sources: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2012; Kaiser/HRET Employer Health Benefits Survey: 2012.

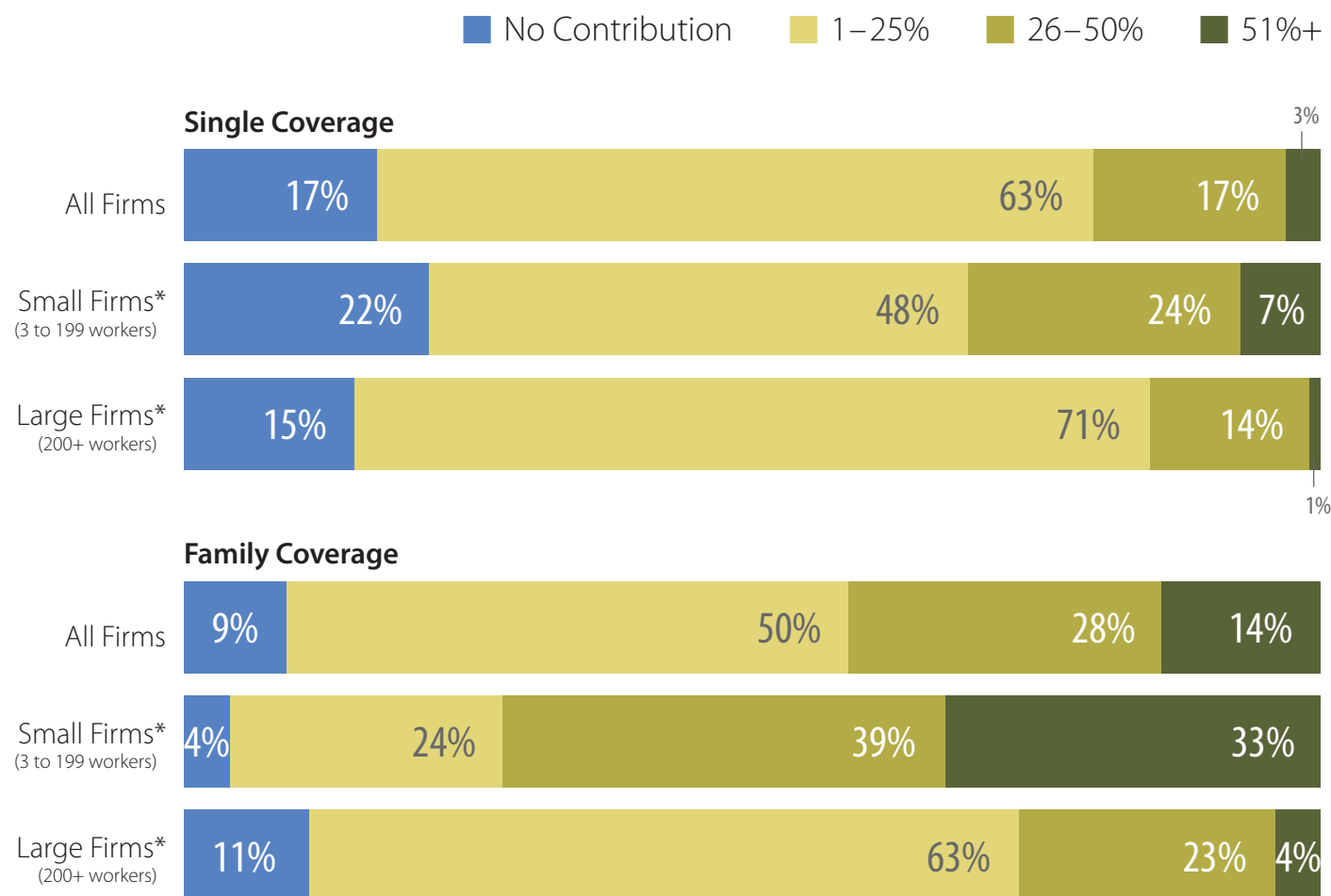
Worker Share of Premium, by Firm Size

California, 2012

California Employer Health Benefits

Cost of Health Insurance

In 2012, 17% of covered California employees worked for firms that paid the full premium for single coverage. Employees of small firms were much more likely to pay more than half of the premium for family coverage than employees of large firms.



*Difference is statistically different between small and large firms for single and family contributions.

Note: Values may not add to 100% due to rounding.

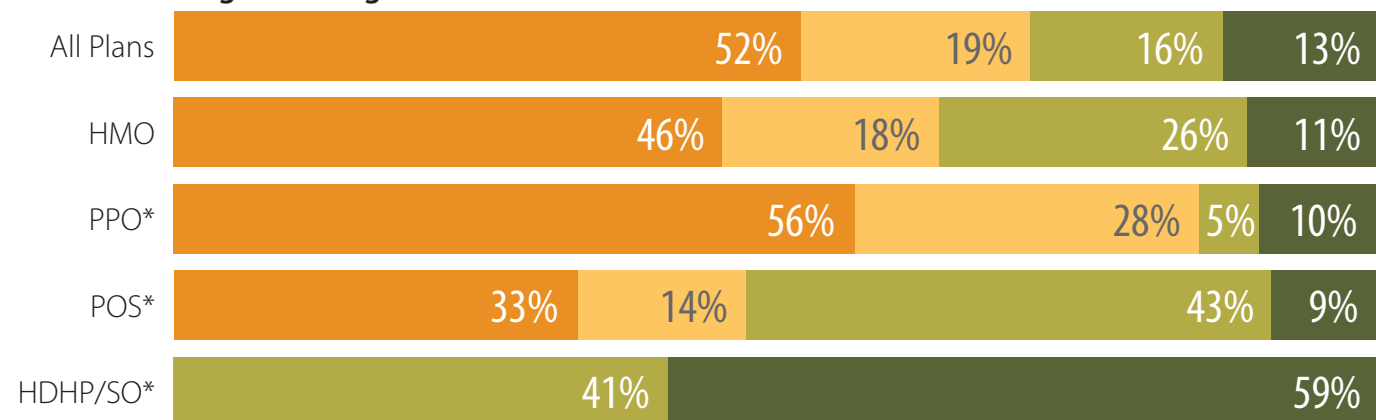
Source: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2012.

Workers with a Deductible, Single or Family Coverage

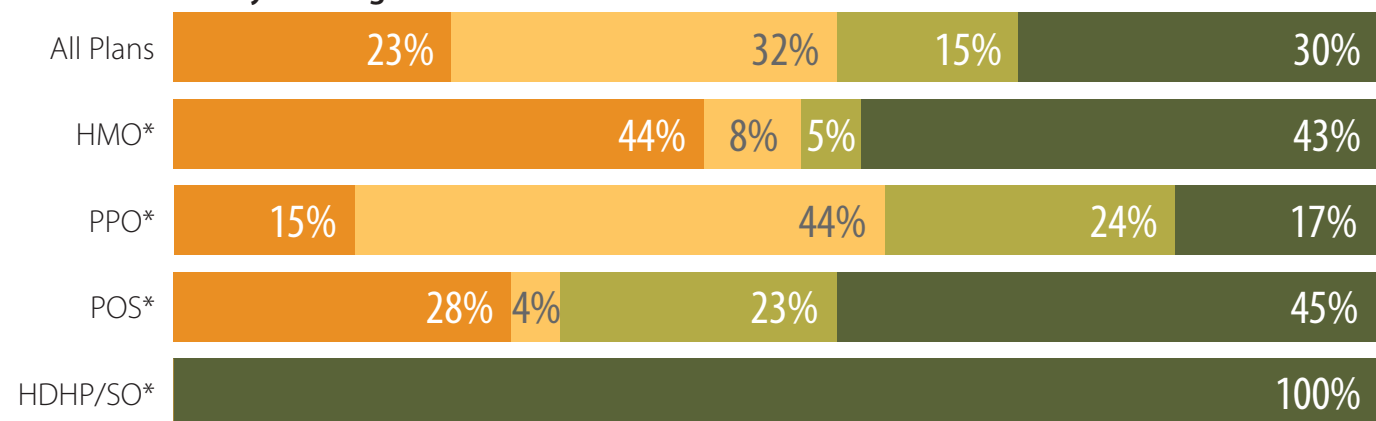
by Plan Type, California, 2012

DEDUCTIBLE AMOUNT ■ <\$500 ■ \$500–999 ■ \$1,000–1,999 ■ \$2,000+

Single Coverage



Family Coverage



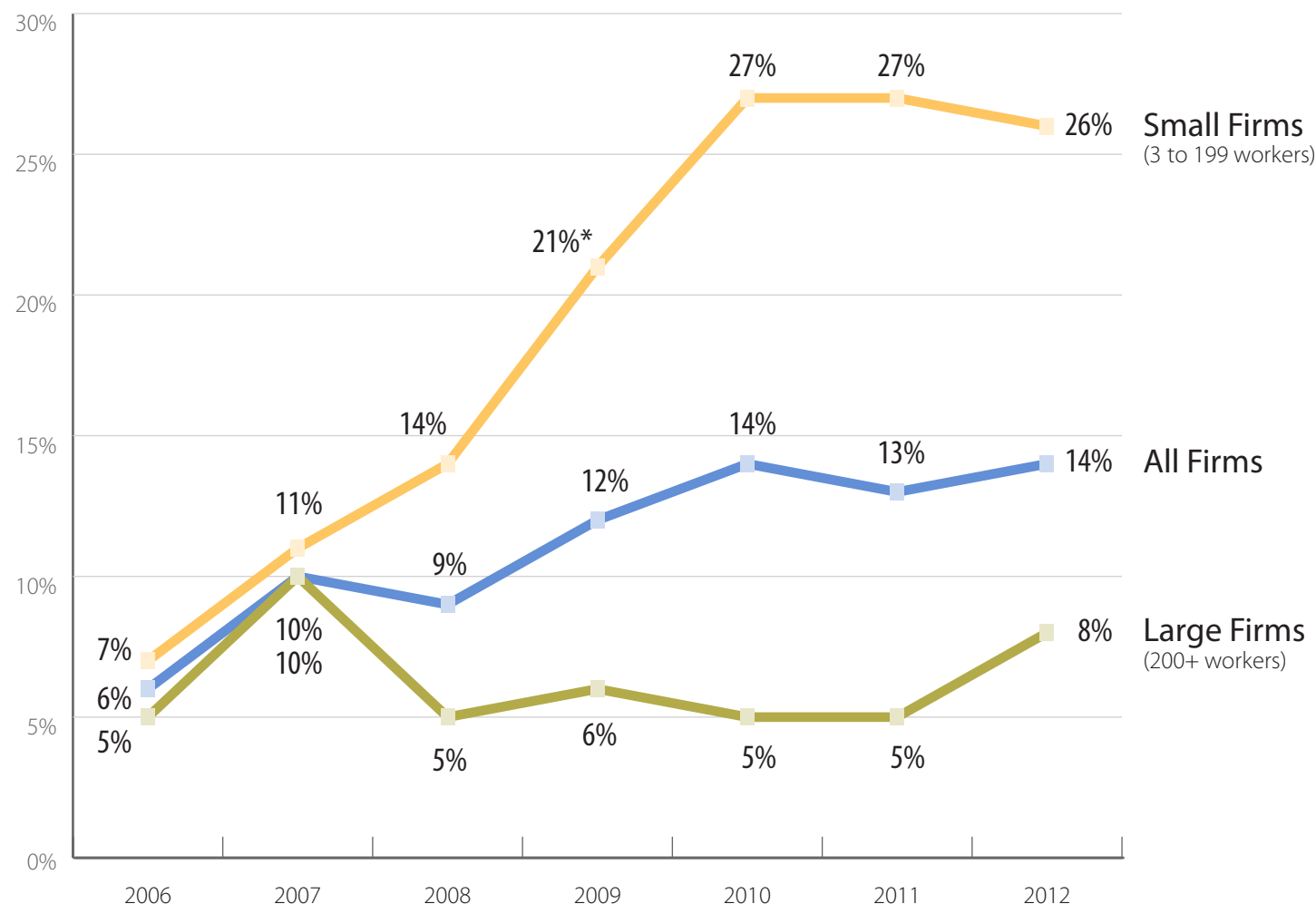
*Distribution is statistically different from all plans.

Notes: Values may not add to 100% due to rounding. HDHP/SO means high-deductible health plan with a savings option.

Source: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2012.

Among California workers with an annual deductible for single coverage, 52% had a deductible of less than \$500, while 29% had a deductible of \$1,000 or more. Among workers with an aggregate family deductible — a total amount that applies to the entire family — 30% faced an annual family deductible of \$2,000 or more.

Workers with a Large Deductible (\$1,000+), Single Coverage by Firm Size, California, 2006 to 2012



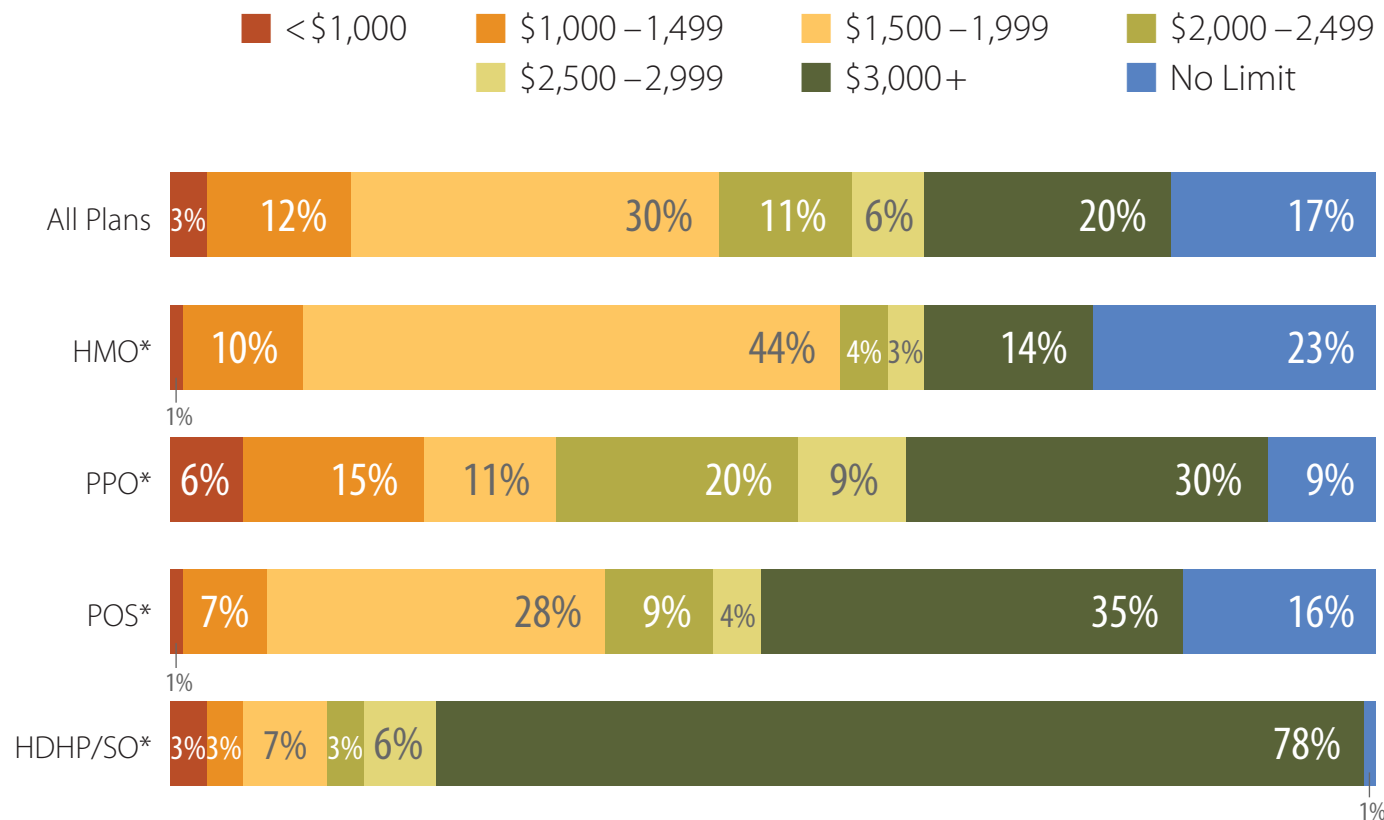
Twenty-six percent of workers in small firms had a deductible of \$1,000 or more for single coverage in 2012, up from just 7% in 2006. In large firms, only 8% had a deductible of \$1,000 or more.

*Estimate is statistically different from previous year shown by firm size.

Source: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2006–2012.

Annual Out-of-Pocket Limits, Single Coverage by Plan Type, California, 2012

PERCENTAGE OF WORKERS WITH SPECIFIED LIMIT RANGES



*Distribution is statistically different from all plans.

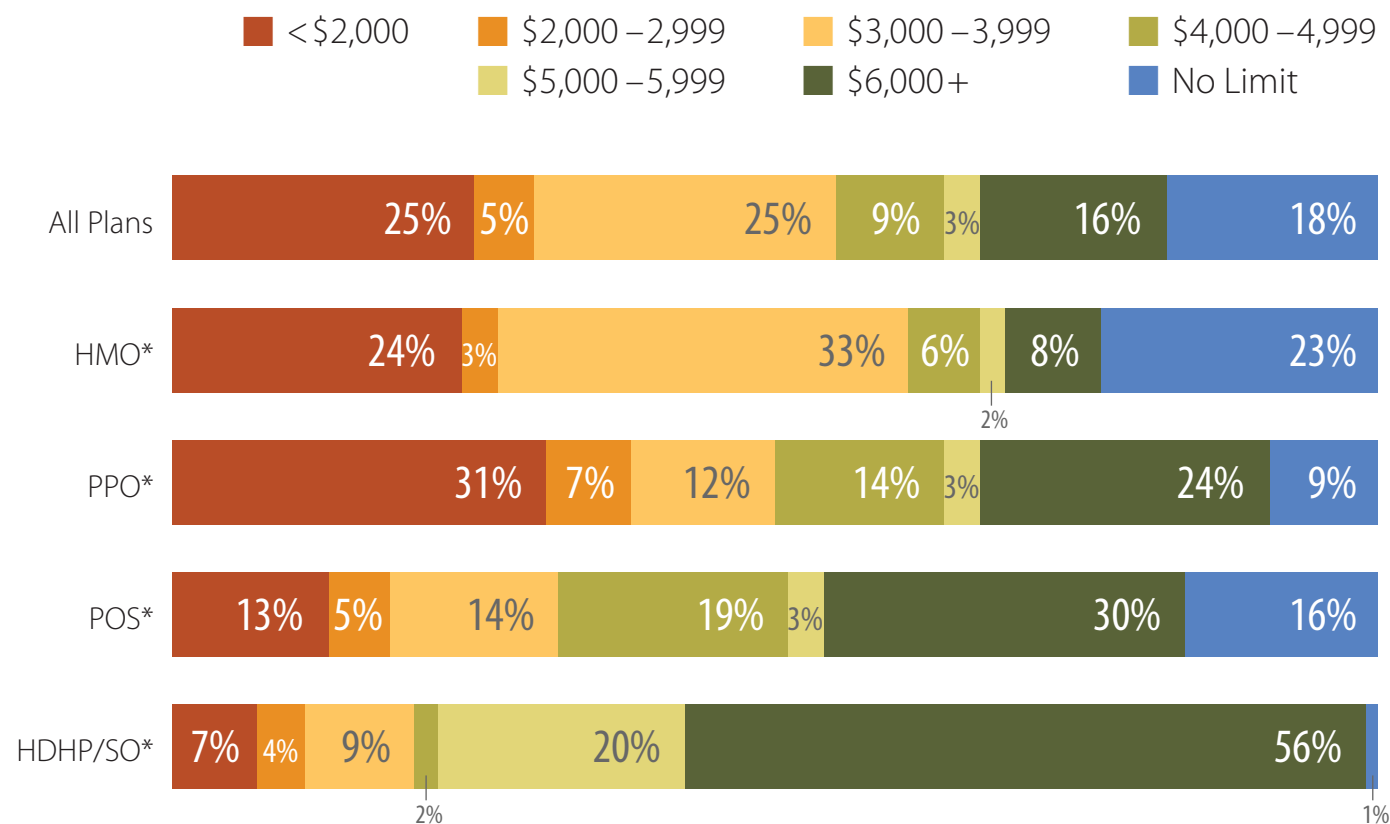
Notes: Because HMOs typically provide very comprehensive coverage, not having a limit on out-of-pocket expenditures does not expose enrollees to the same financial risk as it could in other plan types. Values may not add to 100% due to rounding.

Source: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2012.

The large majority of covered workers with single coverage (83%) had an annual out-of-pocket limit. Workers in a high-deductible health plan with a savings option (HDHP/SO) were the most likely to have a high limit; 78% had a limit of \$3,000 or more.

Annual Out-of-Pocket Limits, Family Coverage by Plan Type, California, 2012

AMONG WORKERS WITH AGGREGATE LIMIT, PERCENTAGE WITH SPECIFIED RANGES



*Distribution is statistically different from all plans.

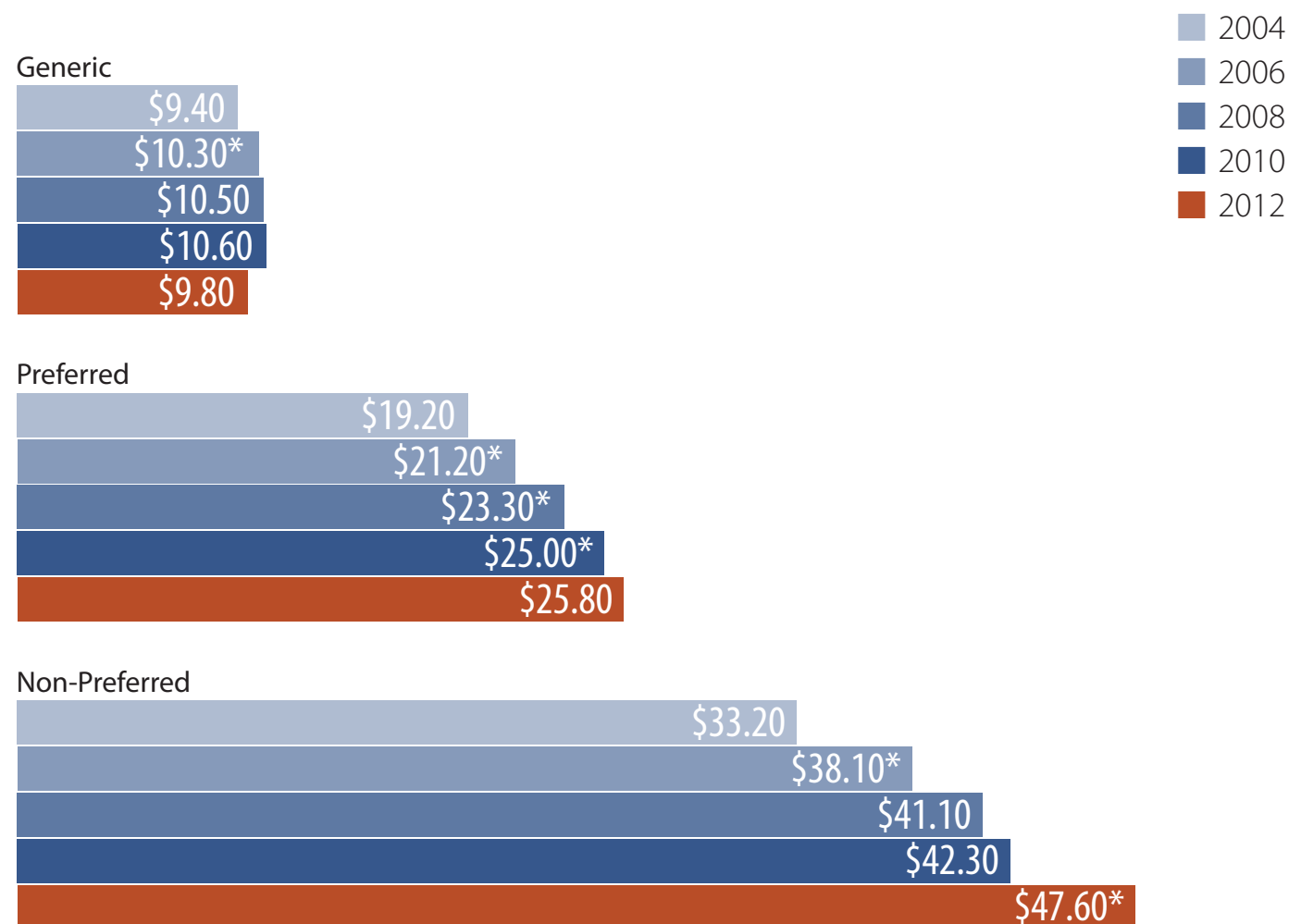
Notes: Because HMOs typically provide very comprehensive coverage, not having a limit on out-of-pocket expenditures does not expose enrollees to the same financial risk as it could in other plan types. Values may not add to 100% due to rounding.

Source: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2012.

Among covered workers with family coverage with an aggregate limit, 82% had an annual out-of-pocket limit. Fifty-six percent of workers in a high-deductible health plan with a savings option (HDHP/SO) had a limit of \$6,000 or more.

Average Prescription Copayments, by Drug Type

California, 2004 to 2012, Selected Years



California Employer Health Benefits

Benefits and Cost Sharing

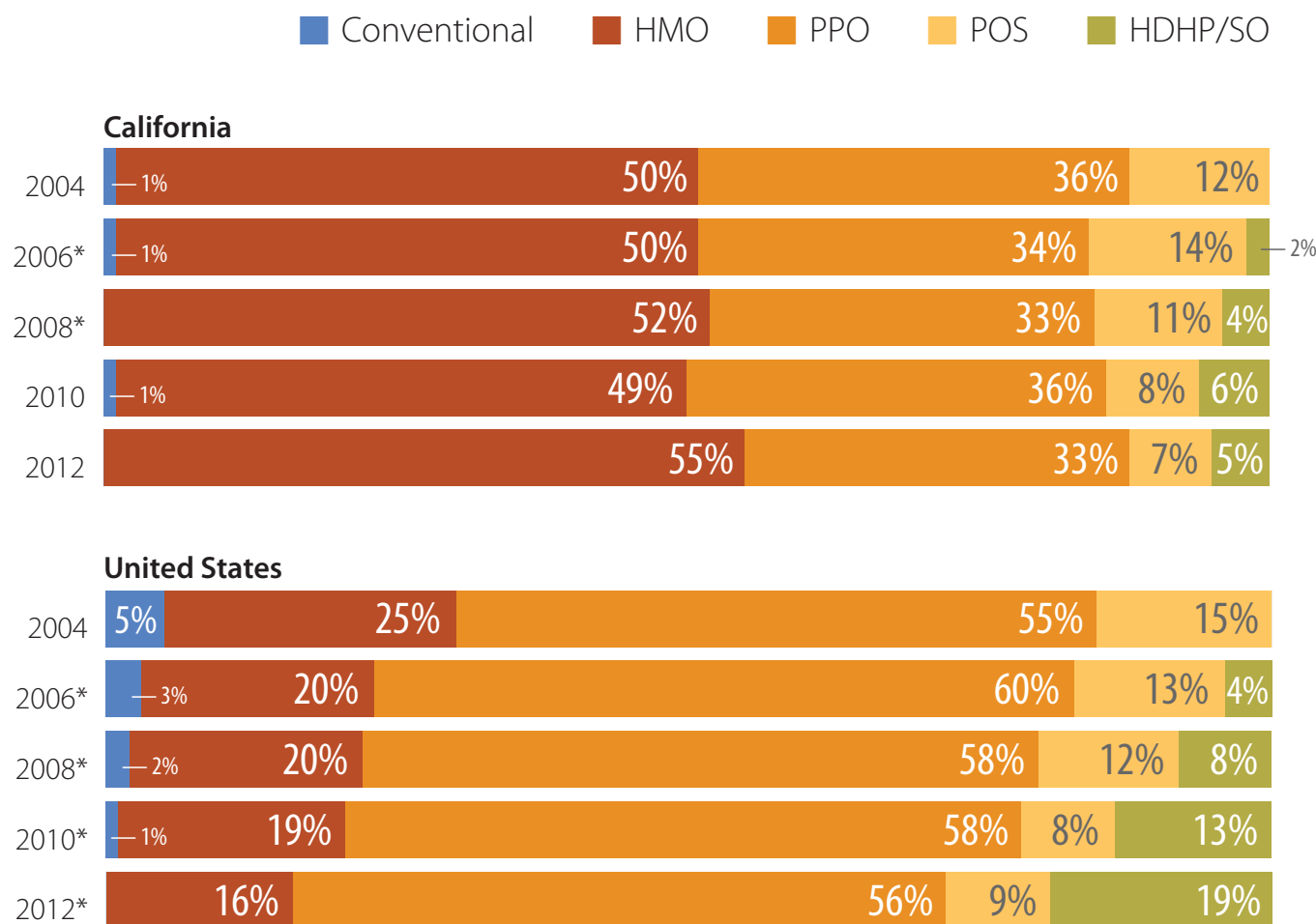
In 2012, average copayments for generic drugs (\$9.80) were less than half of those for preferred drugs (\$25.80), and less than one-quarter of those for non-preferred drugs (\$47.60).

*Estimate is statistically different from previous year shown.

Sources: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2008, 2010, 2012; CHCF/HSC California Employer Health Benefits Survey: 2006; CHCF/HRET California Employer Health Benefits Survey: 2004.

Enrollment of Covered Workers, by Plan Type, California vs. the United States, 2004 to 2012, Selected Years

California workers have been consistently more likely to enroll in HMOs than covered workers nationally. PPOs continue to be less popular in California than in the US. California enrollment in high-deductible plans with a savings option has been stable since 2008. This contrasts with national trends, in which HDHP/SO plans are growing in popularity, while HMOs are declining.



*Distribution is statistically different from previous year shown.

Notes: Conventional fee-for-service plan enrollment in California in 2008 and 2012 was less than 1%, and conventional plan enrollment in the US was less than 1% in 2012. Due to the addition of HDHP in 2006, no test was conducted comparing 2006 with 2004. Values may not add to 100% due to rounding. HDHP/SO means high-deductible health plan with a savings option.

Sources: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2008, 2010, 2012; CHCF/HSC California Employer Health Benefits Survey: 2006; CHCF/HRET California Employer Health Benefits Survey: 2004; Kaiser/HRET Employer Health Benefits Survey: 2004–2012.

Likelihood of Firms Making Changes in the Next Year

by Type of Change, California, 2012

Very Somewhat Not Too Not at All Don't Know

Increase the amount workers pay for premiums



Increase the amount workers pay for deductibles



Increase the amount workers pay for copayments



Increase the amount workers pay for prescription drugs



Restrict worker eligibility for coverage



Drop coverage entirely



Note: Values may not add to 100% due to rounding.

Source: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2012.

California Employer Health Benefits

Employer Views and Practices

About one-third of California employers reported they are very likely or somewhat likely to increase the amount that their workers pay for premiums in the next year, while 24% said they are very or somewhat likely to increase employees' deductibles.

Firms That Made Changes in the Past Year

by Firm Size and California Region, 2012

	REDUCED SCOPE OF HEALTH BENEFITS OR INCREASED COST SHARING	INCREASED WORKERS' SHARE OF PREMIUM
FIRM SIZE		
All Small Firms (3 to 199 workers)	16%*	20%*
All Large Firms (200+ workers)	36%*	51%*
• 200 to 999 workers	36%*	49%*
• 1,000+ workers	36%*	53%*
REGION		
Los Angeles	21%	25%
San Francisco	20%	21%
Rest of State	13%	19%
All Firms	17%	21%

*Estimate is statistically different from all other firms.

Note: Los Angeles and San Francisco are defined as the metropolitan statistical area (MSA).

Source: California HealthCare Foundation/NORC California Employer Health Benefits Survey: 2012.

California Employer Health Benefits

Employer Views and Practices

Twenty-one percent of California firms increased workers' share of the premium in the preceding year, while 17% reduced the scope of health benefits or increased cost-sharing. Large firms were significantly more likely to make these changes than smaller firms.

Methodology

The *California Employer Health Benefits Survey* is produced jointly by the California HealthCare Foundation (CHCF) and NORC at the University of Chicago. The survey was designed and analyzed by researchers at NORC, and administered by National Research LLC (NR). The findings are based on a random sample of 659 interviews with employee benefit managers in private firms in California. NR conducted interviews from August to December 2012. As with prior years, the sample of firms was drawn from the Dun & Bradstreet list of private employers with three or more workers. The margin of error for responses among all employers is $\pm 3.8\%$; for responses among employers with 3 to 199 workers, it is $\pm 5.0\%$; among employers with 200+ workers, it is $\pm 5.9\%$. Some exhibits do not sum to 100% due to rounding effects.

The Kaiser Family Foundation sponsored this survey of California employers from 2000 to 2003. A similar employer survey was also conducted in 1999 in California, in conjunction with the Center for Health and Public Policy Studies at the University of California, Berkeley. The Health Research and Educational Trust (HRET) collaborated on these surveys from 1999 to 2004. The Center for Studying Health System Change collaborated on these surveys from 2005 to 2006.

This survey instrument is similar to a national employer survey conducted annually by the Kaiser Family Foundation and HRET. The US results in this study are from the published reports. A full analysis of the US dataset is available on the foundation's website at www.kff.org. Both the California and US surveys asked questions about: health maintenance organizations (HMO), preferred provider organizations (PPO), point-of-service (POS) plans, and high-deductible health plans with a savings option (HDHP/SO). Conventional (fee-for-service) plans are generally excluded from the plan type analyses because they comprise such a small share of the California market.

Many variables with missing information were identified as needing complete information within the database. To control for item nonresponse bias, missing values within these variables were imputed

using a hot-deck approach. Calculation of the weights follows a common approach. First, the basic weight is determined, followed by a survey nonresponse adjustment. Next, the weights are trimmed in order to reduce the influence of weight outliers. Finally, a post-stratification adjustment is applied.

All statistical tests in this chart pack compare either changes over time, a plan-specific estimate with an overall estimate, or subcategories versus all other firms (e.g., firms with 3 to 9 workers vs. all other firms). Tests include t-tests and chi-square tests, and significance was determined at $p < 0.05$ level. Due to the complex nature of the design, standard errors are calculated in SUDAAN.

A important note about the methodology: Rates of change for total premiums, for worker or employer contributions to premiums, and other variables calculated by comparing dollar values in this report to data reported in past CHCF or KFF publications should be used with caution, due to both the survey's sampling design and the way in which plan information is collected. Rates calculated in this fashion not only reflect a change in the dollar values but also a change in enrollment distribution, thus creating a variable enrollment estimate. However, rates of change in premiums are collected directly as a question in the California survey. This rate of change holds enrollment constant between the current year and the previous year, thus creating a fixed enrollment estimate. Because the survey does not collect information on the rate of change in other variables, additional rates are not reported. The national survey conducted by Kaiser/HRET, however, stopped directly collecting rates of change in premiums in its 2008 survey. Therefore, the rate of change in total premiums in the US provided in this report uses a variable enrollment estimate.

Please note that due to a change in the post-stratification methods applied in 2003, the survey data published in this report may vary slightly from reports published prior to 2003.

FOR MORE INFORMATION



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